

1. Definitions. The following definitions shall apply:

“Benchmark Commodity Cost of Gas” shall mean the Company’s estimate of the City Gate Delivered Cost of Gas for long-term gas supplies, excluding Demand Charges. The Benchmark Commodity Cost of Gas may be amended from time to time by the Company as provided for in this Gas Costs Recovery Mechanism (GCRM).

“City Gate Delivered Cost of Gas” shall mean the total delivered cost of gas to the Company at its city gate, including, but not limited to all commodity charges, demand charges, peaking charges, cost of propane, cost of LNG liquefaction/vaporization, surcharges, emergency gas purchases, over-run charges, capacity charges, customer charges, standby charges, reservation fees, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges, take-and-pay charges, storage charges, service fees and transportation charges and any other charges of any kind whatsoever which are incurred by the Company in connection with the purchase, storage or transportation of volumes of gas by the Company.

“Commodity and Other Charges” shall mean all charges for the purchase of gas or for the transportation of gas other than Demand Charges.

“Demand Charges” shall mean all charges for the purchase of gas or the transportation or storage of gas which are not billed on the volume of gas actually purchased or transported by the Company.

“Tariff Sales” shall mean gas delivered to customers under a sales rate schedule of general applicability. Tariff sales excludes gas delivered under transportation rate schedules, special contracts, off-system or sales for resale transactions or other arrangements under which the gas is not billed under a sales rate schedule of general applicability.

II. Gas Costs Recovery Mechanism

In the event the Company anticipates a change in its “City Gate Delivered Cost of Gas,” the Company may increase or decrease its rates to its customers as follows:

A. Sales rates

1. Demand Charges

Whenever the Company anticipates a change in the Demand Charges, the Company may change its rates to customers under all rate schedules by an amount computed as follows:

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(Total Anticipated Demand Charges

- Prior Demand Charges

And Storage Charges) X S.C. Portion*

----- = Increase (Decrease)
Sales and Transportation Volumes* Per Unit

2. Commodity and Other Charges

Whenever the Benchmark Commodity Cost of Gas is changed, the Company may change the rates to its customers purchasing gas under all of its sales rate schedules by an amount computed as follows:

Volumes of gas purchases for system supply* X

(New Benchmark Commodity Cost of Gas –

Old Benchmark Commodity Cost of Gas)

X S.C. Portion*

----- = Increase (Decrease)
Volumes of gas purchased for Per Unit

System Supply* (less Company Use* and

Unaccounted For*) X S.C. Portion*

*Established by Commission in the Company's last general rate case or Rate Stabilization Act proceeding.

B. Transportation Rates

Firm and/or interruptible transportation rates shall be computed on a per unit basis by subtracting the per unit Commodity and Other Charges from the applicable firm or interruptible sales rate schedule exclusive of any increments or decrements.

C. Other Changes in Purchased Gas Costs

The purpose of this GCRM is to permit the Company to recover the applicable actual cost of gas from its tariff customers. If, at any time, it should appear that the computations required under this GCRM do not accomplish that purpose, the Company may use a different method to compute changes in its rates; however, any such changes shall not be effective until approved by the Commission.

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III. Monthly True up of Gas Costs

A. Demand Charges

On a monthly basis, the Company shall determine the difference between (a) the Demand Charges recovered and (b) the Company's actual Demand Charges incurred for South Carolina determined by the ratio of South Carolina tariff sales volumes to the combined total of North Carolina and South Carolina tariff sales volumes. This difference shall be placed in the Company's Deferred Account No. 253.

B. Commodity and Other Charges

On a monthly basis, the Company shall determine with respect to gas sold during the month the per unit difference between (a) the Benchmark Commodity Cost of Gas included in the Company's most recently approved GCRM and (b) the actual Commodity and Other Charges incurred for South Carolina. This difference shall be placed in the Company's Deferred Account No. 253.

C. Supplier Refunds and Direct Bills

In the event the Company receives supplier refunds or direct bills with respect to gas previously purchased, the amounts of such supplier refunds or direct bills applicable to South Carolina shall be placed in the Company's Deferred Account No. 253.

D. Interest on Deferred Account 253

The Company shall compute interest on the Deferred Account as directed by the Commission.

E. Other

(a) The Company shall file with the Commission a monthly report of the deferred account. The report shall identify the cost of gas reduction related to capacity released.

(b) Periodically, the Company may file to adjust its rates to refund or collect the balance in the deferred account. Increments and/or decrements shall apply across the board to all sales rate schedules unless the Commission specifically approves otherwise.

(c) The Company is permitted to negotiate rates to certain customers to meet the prices of competitive fuels or otherwise to avoid losing these customers. To permit the Company to make sales to these tariff customers without suffering a loss of margin, the

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Company shall record the sales and transportation negotiated losses in the deferred account.

(d) Reserved for future use.

(e) The operation of this GCRM and the related Deferred Account can be modified as necessary to accommodate rulings of the Commission that affect its operation as herein defined. For example, recording the WNA balance in the Deferred Account as authorized by the Commission.

IV. Notice to the Commission

The Company shall file with the Commission at least 15 days prior to the date on which any change in its existing rates is to become effective as a result of the GCRM a computation of the rate adjustment and a single rate sheet, entitled "GCRM _____," containing the following information:

<u>Rate Schedule</u>	<u>Present Rate</u>	<u>Current Adjustment</u>	<u>Rate after Current Adjustment</u>
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